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Request by Argentina*

1. Argentina was classified a net contributor country in 1997 – the first year of the 1997-1999 programming period – because its 1994 gross national product (GNP) per capita exceeded the established net contributor country (NCC) threshold of $4 700. In view of the normal grace period of three years, the country became de facto a net contributor country in 2000.

2. The GNP per capita for Argentina in 2000, as published in the *World Bank Atlas*, was more than $7 400. This figure, however, does not reflect current realities. During the last four years, the country has experienced a dramatic reversal of its economic fortunes and its GNP per capita for 2002 is expected to fall below the NCC threshold level.

3. The prolonged economic recession and concomitant significant decline in the country's GNP per capita is the result of serious economic, financial and social crises. It has, among other things, resulted in a substantial devaluation of its currency (from US$1 = $Arg1 to US$1 = $Arg3.20), an unemployment rate of 25 per cent and a dramatic deterioration of other human development indicators. It is estimated that at present about 40 per cent of the population has an annual income below the poverty line.

4. At this juncture, only tentative estimates are available regarding the level of 2002 GNP per capita for Argentina. The World Bank, however, has indicated that it expects the country's GNP per capita for 2002 to fall below the $3 000 level.

5. In view of the above developments, the Government of the Argentine Republic has requested UNDP to reconsider the country's net contributor status so that it would become again eligible for a target for resource assignment from the core (TRAC) 1 earmarking.

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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This would not only enable Argentina to benefit from assistance from UNDP. It would also help the country to obtain assistance from other sources in support of its ongoing efforts to reverse the decline in social and economic conditions.

6. Within the context of the new programming arrangements for the period commencing 2004, the Administrator has proposed to the Executive Board an arrangement that would make it possible for UNDP to respond to the special needs of Argentina and to address similar situations for other countries that may arise in the future. The proposed arrangement would allow UNDP to recalculate at any time the TRAC 1 earmarkings for countries which experience a significant drop in their GNP per capita. As proposed, such recalculations would be made if a country sees its GNP per capita drop by more than 25 per cent (as compared to the base year figure, which for 2004 to 2007 will be the 2001 per capita *World Bank Atlas* figure), combined with a drop below one of the thresholds used for low-income countries or NCC status (DP/2002/17, paragraph 14).

7. In anticipation of the proposed systemic solution for the next programming period, however, and given the urgency for the Argentine situation and the difficulties encountered by the Government in meeting its current NCC obligations, the Executive Board may wish to consider applying, on an exceptional basis, the proposed special arrangement to the Argentine case in advance of the next programming period. Argentina, therefore, would be reclassified as a middle-income country, eligible for a TRAC 1 earmarking for the last year, 2003, of the current programming period as soon as official *World Bank Atlas* data on the 2002 GNP for Argentina is available (normally by mid-2003). Assuming a 2002 GNP per capita of around $3 000, the TRAC 1 earmarking for Argentina for 2003 would be about $375 000. Of this amount, about 30 per cent, or $125 000, would be available for actual programming in view of the 70 per cent across-the-board reduction in all programme earmarkings.

8. Alternatively, the Executive Board, recognizing the current situation in Argentina, may wish to suspend the country's NCC status and NCC obligations effective 1 January 2002. The current local office costs amount to approximately $350 000 per year, of which $262 000 would remain as government local office cost (GLOC) obligations if Argentina were treated as a middle-income country, which has a waiver of 25 per cent. Eligibility for TRAC resources would be subject to official confirmation of 2002 GNP figures. Either the existing methodology or the procedure outlined in the paragraph above could be applied.